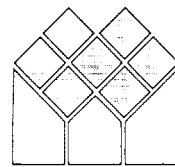


*building* a foundation



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HENDERSON CITIZENS BANCSHARES, INC.

2002 ANNUAL REPORT

33-42286

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THOMSON  
FINANCIAL

# Dear Shareholders

2002 was a landmark year for Henderson Citizens Bancshares. Due to the growth of your company in recent years, we achieved record profits for the shareholders. The numbers on the following pages give an overview of the accomplishments of the past year, but there is so much more that the numbers do not show.

In various ways 2002 was a year of preparation. Major efforts were taken to not only fully integrate the new branches that had been purchased, but to build a stronger struc-

ture for the future of our customers and shareholders. Strategic changes in facilities and infrastructure were studied and/or implemented.

One acquisition occurred in April of 2002 with the purchase of 2 branches of Cedar Creek State Bank in Corsicana. These locations were a long-awaited addition to the Trust office which had been in Corsicana since 1997.

Upon reviewing the facilities needs for that community the decision was made to remodel

and consolidate the two Downtown locations to the Collin Street office. The leased space on 12th Street will be vacated in February of 2003 and the bank and trust

office will share a newly-remodeled branch. Since we added a drive in lane, a commercial night drop and an ATM, we feel that this will greatly enhance the services that we can provide to our customers downtown.

As customers demand more automation to meet their banking needs, Citizens must use new technology in order to compete and to meet customer expectations. During the past year extensive studies have been made to review the entire data communications network capabilities and future needs of the bank. The investments needed are substantial, but must be made to provide a growing list of customer-driven services. Just as an example, customers increasingly use our voice response unit (VRU) to retrieve basic account information. This 24 hour telephone service allows customers to obtain an account balance, see if a check has cleared or transfer funds between accounts. In 1998 there were over 100,000 calls to the VRU. This number increased to over 455,000 in 2002. You can readily see the need to expand our communications network capacity.

Computer hardware and software is also changing and improving exponentially. In order to serve our loan customers as efficiently as possible, we have been exploring the software options that will help us grow in this area as well.



Of course the primary asset of any institution is the talented team of employees that serve our customers and support those services in a variety of ways. Our team has now grown to almost 300 people. During the past year Citizens hired a number of experienced bankers and some that bring expertise from other fields to strengthen the team.

CFG Insurance continues to expand its retail and commercial customer base. CFG recently moved to a new location that was previously the "Southside" branch of Citizens. Since this branch was relocated and consolidated with a Peoples Bank branch during 2001, the real estate was an opportunity in a high traffic area for CFG to increase visibility and have the growth potential that was lacking at its previous office.

Other real estate projects included a renovation of the facilities in Waskom. A similar study is underway for the Malakoff branch. These improvements provide a warm and inviting, yet professional upgrade to outdated lobby designs.

We are proud of the financial accomplishments of 2002 with total earnings of \$5,455,000 and earnings per share of \$2.74. Both of these reflect the best year ever in the company's history. The average return on shareholders' equity reached 11.79%, which is a great achievement in today's marketplace.

2003 will bring new challenges as the financial industry faces narrowing interest margins

and a slow economy. The company is realizing lower interest earnings on its investments just as our customers experience when their CDs and other investments reprice. With prudent cost controls and effective teamwork, we are looking forward to another year of good results. Thank you for your continued support.

Sincerely,

*Milton S. McGee, Jr.*

Milton S. McGee, Jr. CPA  
President and Chief Executive Officer

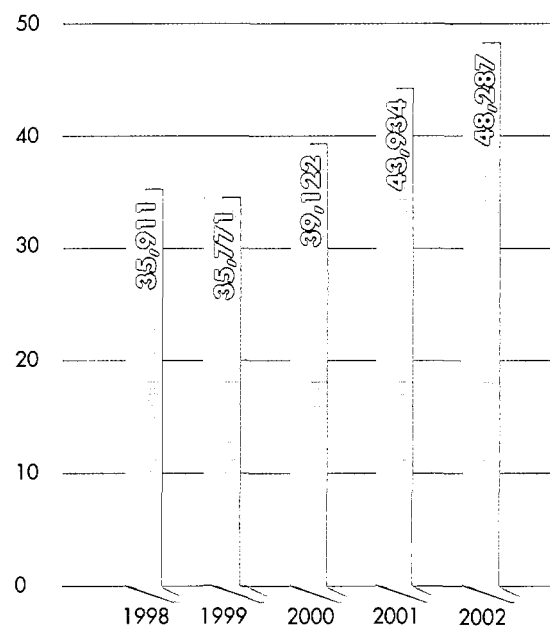
Cover photo: Citizens National Bank, Athens branch.

# a year of growth

If a picture is worth 1,000 words, these graphs speak volumes for our shareholders. The strategies implemented over the past few years have brought these positive financial results.

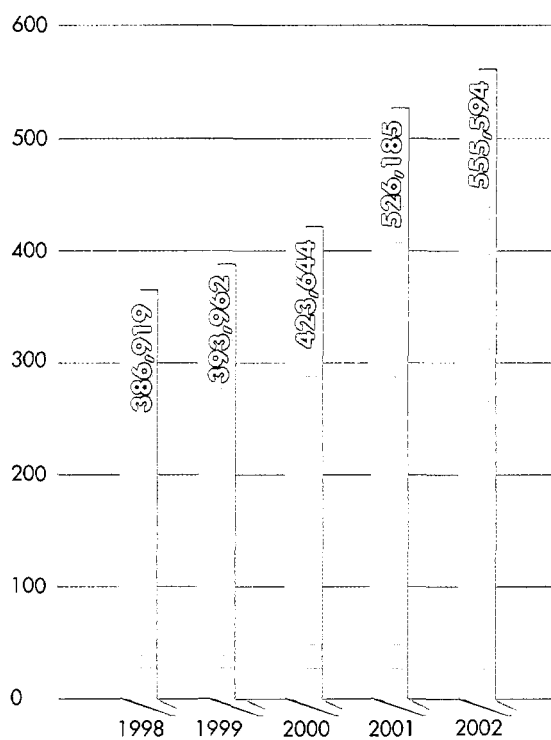
## Shareholders' Equity

In thousands of \$



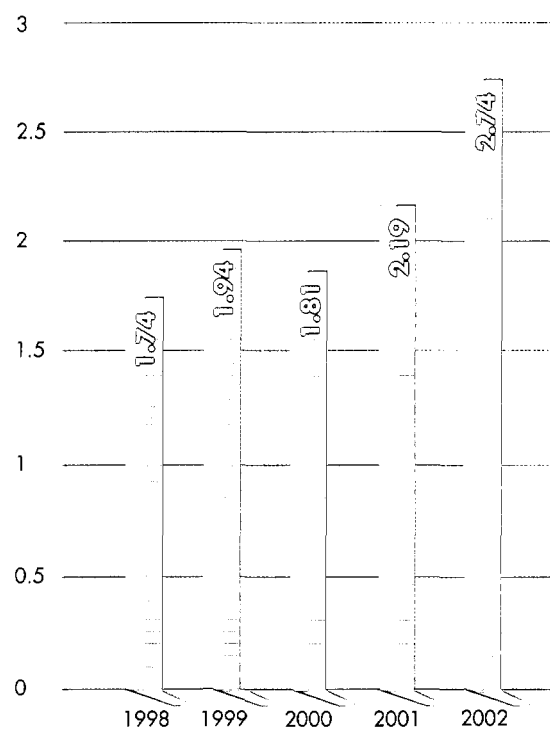
## Total Assets

In thousands of \$



## Basic Earnings per Share

In dollars



2002

5,455

2001

4,366

2000

3,624

1999

3,909

1998

3,506

Net Income In thousands of \$

2002

11.79%

2001

10.38%

2000

9.80%

1999

11.02%

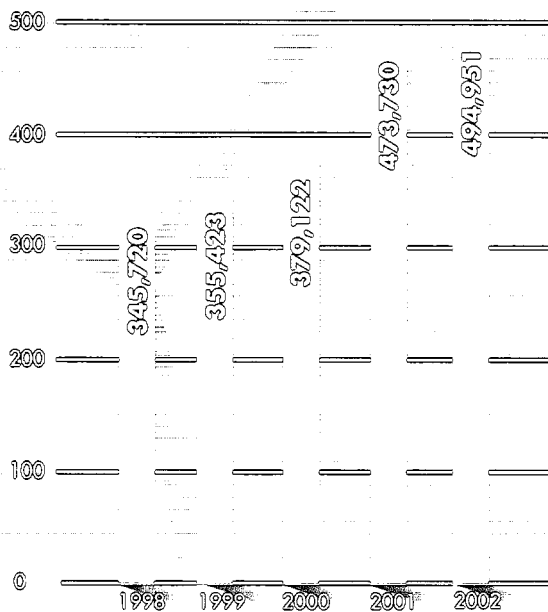
1998

10.16%

Average Return on Shareholder's Equity

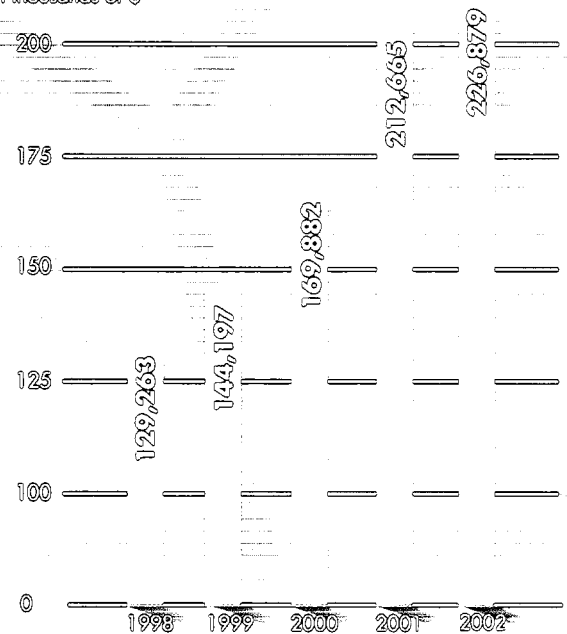
## Total Deposits

In thousands of \$



## Total Loans, Net

In thousands of \$



# Building a Strong Team

## HENDERSON

### EXECUTIVE

*Chairman of the Board*  
Landon Alford

### President & CEO

Milton S. McGee, Jr., CPA

### LENDING

#### Senior Vice Presidents

Nelwyn Richardson  
Terry Tyson

#### Vice Presidents

Michael R. Moores, CPA  
Jack Powers  
Debra Rushing

#### Assistant Vice President

Lisa Cook

### LOAN OPERATIONS

#### Vice Presidents

Lois Jones  
David Knoten  
Paul L. Richard

#### Assistant Vice President

Betty Hayes

#### Banking Officer

Carolyn King

### OPERATIONS

#### Senior Vice President

Kenneth Black

#### Vice President & Cashier

Rita Smith

#### Assistant Vice President

Kenneth Green

#### Assistant Cashiers

Tommy Jimerson  
Diana Morgan

#### Banking Officer

Pat Ratcliff

### INFORMATION SERVICES

*Vice President, IS Manager*  
Jerry Baskin

#### Banking Officer

Ronda Hodgkinson

### CUSTOMER SERVICE

#### Assistant Cashiers

Patricia Fitzgerald  
Joyce Greenlee

#### Assistant Vice Presidents

Margie Chitwood  
Jean Lee

### TELLER SERVICES

*Assistant Vice President*  
Linda Cooper

#### Banking Officer

Carolyn Smith

### LOBBY SERVICES

#### Assistant Vice Presidents

Jimmy Middleton  
Susan Russo  
Deanna Wooley

### ADMINISTRATION

#### Vice Presidents

Mary Lou Smith, *Human Resources*  
Rebecca G. Tanner, CPA, *Controller*  
Marjorie J. Wagner, CPA, *Investments*

#### Assistant Vice President

Rhonda Calhoun

#### Banking Officer

Ceil Higginbotham

### MARKETING

#### Vice President

David Litton

#### Marketing Officer

Sue Plummer

### AUDIT & COMPLIANCE

#### Vice President

Mike Smith, *Auditor*

#### Assistant VP / Compliance Officer

June Eastland

#### Assistant Auditor

Stacey King

### TRUST & OTHER

#### FINANCIAL SERVICES

*Senior Vice President,*  
*Financial Services Manager*  
Jeff Scribner

#### Vice Presidents, Trust Officers

Thomas M. Weaver, CPA  
Gary B. Williams  
W. Curtis Cain

#### Assistant Vice President

Brad Keitt, *Appraisal*

#### Branch Office Administrator

Margaret McAlister

### CORSICANA - TRUST OFFICE

#### Vice Presidents, Trust Officers

Don Tekell  
Larry Turner

#### Trust Officer

Vicki Payne

## ATHENS

Cliff Bomer, *VP / Branch Mgr.*

## CHANDLER

Charla Hendrix, *VP / Branch Mgr.*

Joel Irwin, *VP*

Cresha Foster, *AVP*

## CORSICANA - COLLEGE PARK

Terry Fauble, *VP / Branch Mgr.*

## HENDERSON - SOUTH 79

John Henson, *VP / Branch Mgr.*

Brian Lowrie, *AVP*

Sonya Killen, *Banking Officer*

## JEFFERSON

Don Preston, *AVP / Branch Mgr.*

Penny Moore, *Banking Officer*

Mary Taylor, *Banking Officer*

## LAKEPORT

George Meisenheimer, *VP / Branch Mgr.*

Kim Triece, *Banking Officer*

## MALAKOFF

Joseph Sepulva, *VP / Branch Mgr.*

Eva Wright, *AVP*

Beth Parker, *Banking Officer*

## MARSHALL

Terri Hickenbotam, *VP / Branch Mgr.*

Cynthia Hunley, *AVP*

George Whaley, *Business Development Mgr.*

Kaye Cannon, *Banking Officer*

Janet Hudson, *Banking Officer*

## MT. ENTERPRISE

Tim Farley, *VP / Branch Mgr.*

Betty Hatcher, *Banking Officer*

## OVERTON

Scott Andrews, *AVP / Branch Mgr.*

## SPRING HILL

David Fenton, *AVP / Branch Mgr.*

Sandra McGregor, *AVP*

Amanda Purcell, *AVP*

## TATUM

Shane Gaskin, *AVP / Branch Mgr.*

Marilyn Bartlett, *Banking Officer*

## WASKOM

Duane Waldrop, *VP / Branch Mgr.*

Tammy Slade, *Banking Officer*

## WHITE OAK

Jason Ray, *AVP / Branch Mgr.*

Nancy Denson, *AVP*

## The Board of Directors

# Building a Vision



**Landon Alford**  
Chairman of the Board  
Investments



**David Alford**  
Investments



**R. M. Ballenger**  
Oil and Gas



**Clayton M. Bonner, Jr.**  
Attorney



**D.J. Burks**  
Investments



**Billy Crawford**  
Investments



**Sheila Smith Gresham**  
Investments



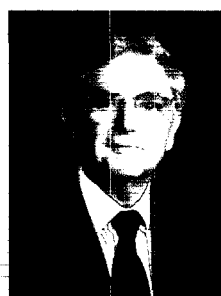
**Jim Kangerga**  
Real Estate



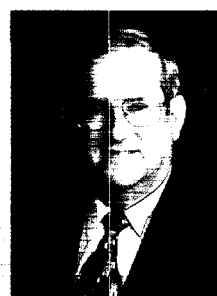
**J. Mark Mann**  
Attorney



**Milton S. McGee, Jr., CPA**  
President & CEO  
Henderson Citizens  
Bankshares, Inc.



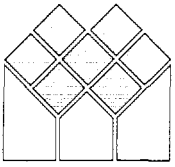
**Charles H. Richardson**  
Rancher & Investments



**Tony Wooster**  
Investments



**William Wylie**  
Attorney



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